



Security Council

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Letter dated 13 March 2001 from the Secretary-General addressed to the President of the Security Council

I have the honour to transmit to you herewith a letter dated 12 March 2001 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina (see annex).

I should be grateful if you would bring this letter to the attention of the members of the Security Council.

(Signed) Kofi A. Annan



Annex

Letter dated 12 March 2001 from the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina addressed to the Secretary-General

I have the honour to transmit to you the eighteenth report on the activities of the High Representative for the Implementation of the Peace Agreement on Bosnia and Herzegovina. I would appreciate your making this report available to the Security Council.

(Signed) Wolfgang **Petritsch**

Enclosure**Report by the High Representative for the Implementation of the Peace Agreement to the Secretary-General****1 October 2000-23 February 2001**

Pursuant to Security Council resolution 1031 (1995) of 15 December 1995, in which the Council requested the Secretary-General to submit reports from the High Representative in accordance with Annex 10 of the Peace Agreement and the Conclusions of the London Peace Implementation Conference of 8 and 9 December 1995, I herewith present the eighteenth report to the Council.

The report covers the activities of the Office of the High Representative and developments in Bosnia and Herzegovina during the period from 1 October 2000 to 23 February 2001.

Summary

In the reporting period, my priority has been to accelerate peace implementation in the three key strategic areas of economic reform, refugee return and the consolidation of institutions, identified by the Peace Implementation Council in May 2000. Particular attention has been directed at the implementation of the crucial decision of the Constitutional Court of Bosnia and Herzegovina commonly known as the "Constituent Peoples' Case".

1. On 11 January 2001, I issued a decision restructuring the Constitutional Commissions in the Federation and the Republika Srpska Parliaments. These Commissions are tasked with preparing proposals for the amendment of the constitutions of both entities and provisionally protect the constituent peoples and others against discrimination.
2. In the general election held on 11 November 2000, moderate forces overtook nationalists for the first time since the Peace Agreement was signed. After a lengthy process, a non-nationalist Council of Ministers was formed on 22 February 2001.
3. The Nationalist Croat Democratic Union (HDZ BiH) refuses to implement the election results and boycotts most institutions at Bosnia and Herzegovina and entity level.
4. Progress has been made in the field of refugee return, with an increase to 67,000 registered "minority" returns in the year 2000 all across Bosnia and Herzegovina.
5. On 25 October 2000, I issued a decision on the location of a cemetery and memorial site for the victims of the Srebrenica massacre in order to help Bosnia and Herzegovina to come to terms with its past.
6. On 12 November 2000, I imposed a package of urgently needed laws, among them amendments to pension and disability insurance in both entities in order to meet the outstanding precondition for disbursement of \$24 million in World Bank structural adjustment credit.

7. On 1 December 2000, in the continuing drive to establish the rule of law, I established the Independent Judicial Commission to provide a consolidated, assertive approach to judicial reform.
8. The payment bureaux ceased to operate on 5 January 2001, marking the decisive step in replacing this monopolistic institution with a modern countrywide banking system.
9. On 23 February 2001 I removed Mr. Bicakcic from his position of Director of Elektroprivreda BiH and barred him from holding any public office, because of a clear pattern of corruption in his previous function of Federation Prime Minister.

I POLITICAL ISSUES

1. Election Issues

1. The third general elections following the signing of the Peace Agreement were held on 11 November 2000 for the following institutions: the BiH House of Representatives, the Federation and Republika Srpska (RS) parliaments, the RS President and Vice President, Cantonal Assemblies in the Federation and Srebrenica Municipality. The elections were supervised by OSCE, and were generally free and fair, although some incidents did occur. The most serious of these was a blatant violation of Election Day silence by the HDZ, which organised a "referendum" on Election Day.

2. Overall the election results confirmed the pluralist nature of the BiH political landscape and a continuation of the trend of growing support for more moderate political parties. However, nationalist parties still draw significant support from their respective ethnic groups.

3. At the State level and in the Federation, moderate non-nationalist parties, which have formed a post-election coalition named the "Alliance for Change" (led by SDP and Party for BiH), have made important gains. This eventually resulted in the election of a Council of Ministers (CoM) headed by a Croat Chair, Mr. Bozidar Matic on 22 February 2001.

4. In the RS, the nationalist SDS achieved solid results, but remained unable to form government without the help of moderate parties.

5. The election results have resulted in legislatures at the State and Entity levels where majorities are extremely fragile. It is essential that this situation is not abused for narrow political interests to destabilise democratically elected governments faced with fundamental and difficult reforms. For BiH to move forward, the country needs a high degree of political consensus. The onus is not only on the newly elected governments, but also on those parties now in opposition to prove their maturity.

6. Future efforts of my Office will focus in the immediate future on working in partnership with the local authorities to make up for lost time and proceed with the expanding agenda facing the country.

2. State Institutions.

7. During the reporting period the work of the State institutions were initially hampered by election campaigning of officials. Following the general elections lengthy delays in the establishment of the BiH Parliamentary Assembly and the CoM served to limit progress. However, it should be noted that the CoM continued to meet on a regular basis in a caretaker capacity in the post election period. While no significant legislation was adopted during this period technical matters were satisfactorily dealt with.

8. It proved quite difficult for a government to be formed at the state level. After three months, one candidate was finally put forward to be Chairman of the CoM by BiH Presidency. However, he was rejected by the House of Representatives. As I mentioned before, the non-nationalist Alliance parties and moderate parties from the RS voted in the BiH House of Representatives in favour of Mr. Matic. As reported below the HDZ chose to boycott the election implementation process and prevented the selection of delegates

from several Cantons to the Federation and BiH House of Peoples (HoP). In order to overcome this blatant disregard for the citizens of the Federation and BiH as a whole and the Croat people in particular I have been forced to intervene. On 9 February 2001 I issued a legal opinion that facilitates the formation of the Federation and BiH HoP.

3. Removals

9. During this reporting period, I dismissed five public officials for serious and persistent obstruction of the Peace Agreement. Among them, I should mention the removal on 23 February 2001 of Mr. Bicakcic as Director of "Elektroprivreda BiH" (publicly owned electricity company), for actions during his term as Federation Prime Minister to the detriment of good governance, the rule of law and budgetary security. Furthermore, two officials were suspended from their post without pay. It should be noted that these decisions of removal and suspension received widespread public support. In the interest of transparency and good governance, my Office always screens the successors of those dismissed before they are officially appointed. In order to ensure the legitimacy of future removal actions procedures for managing the removal process have been updated in line with standard judicial practices.

4. Civil Information Management and Documents

10. My Office conducted ministerial level briefings with relevant state ministries and entities with the purpose of securing the support for the concept for extending State authority over certain aspects of civil administration. These efforts have proved successful and the Ministry of Civil Affairs and Communications (MCAC) concluded its selection process for contractors to implement civil registries and to issue common identification cards and drivers licenses. My Office in collaboration with relevant state and entity governments has prepared a package of five state laws which are now ready to be introduced into parliamentary procedure.

5. Entities and Brcko

a) Republika Srpska

11. The implementation of the election results in the RS advanced relatively quickly and a new Entity parliament was constituted by the end of last year. The recognition of the BiH flag, coat of arms and anthem by the RS National Assembly at its inaugural session was a welcome development. I expect the RS National Assembly to convert the symbolism of this display into concrete action to implement the Peace Agreement.

12. The moderate Mladen Ivanic (PDP) was appointed Prime Minister on 12 January and formed a "government of experts" free of senior SDS figures. Mr. Ivanic has stressed his primary focus will be on the economic agenda. My intention now is to give the Government an opportunity to prove itself both before the citizens of the RS and the international community. With the support of PDP, SDS, SPRS and DNS, the Ivanic Government has a comfortable majority in the entity parliament and I expect this to result in a marked improvement in the pace of Peace Implementation in this Entity, in particular in the sphere of refugee return.

13. With my encouragement the SDS leadership, including the newly elected RS President Mirko Sarovic issued a statement on 12 December 2000 that endorses the Peace Agreement and all PIC documents. Furthermore, it expresses the party's readiness to immediately and in all respects co-operate with IC at all levels, including co-

operation with the Hague Tribunal. I will expect the SDS to live up to its word and nothing less.

b) Federation

14. In the reporting period HDZ constituted a serious problem for the functioning of the Federation and consequently state institutions. As part of its election campaign and ostensibly in response to the change in the PEC rules regarding the Federation HoP, on 28 October the HDZ and a half-dozen smaller Croat parties created a "Croat National Assembly." This body was designed to mobilise Croats for the 11 November election. This self-styled "Assembly" called for a "referendum" on Election Day to ratify the conclusions of its first meeting. Despite clear and repeated warnings from the IC that this would constitute illegal political activity, the "referendum" was carried out in Croat-majority areas throughout the country, contributing to an exceptionally strong electoral showing by the HDZ. The EASC sanctioned the HDZ by stripping it of 10 mandates (two each in five Cantonal Assemblies). The HDZ responded by appealing to the BiH Constitutional Court to overturn the PEC rules and EASC sanctions, and by boycotting both the Federation House of Peoples and electoral implementation in Croat-majority Cantons.

15. After my intervention, the HDZ eventually agreed to implement election results in the Cantonal Assemblies it controlled. However, the party refused to respect a February 3 BiH Constitutional Court decision in which the Court declared that it had no jurisdiction over the PEC and EASC. Unhappy with the ruling, the HDZ vowed to continue its boycott of the Federation HoP. In response, my Office issued a Legal Opinion stating that both the HoP and Cantonal assemblies could be constituted by those delegates who took their seats, and that boycotting parties and individuals had no right to block the working of these bodies.

c) Brcko district

I am in general satisfied with developments in the Brcko District at a point of time where the District approaches the first anniversary of its establishment. Progress continued in particular in the areas of:

- Return: over 5000 minority returns of all ethnicities until the end of the year 2000 which equates to approximately 25% of reported minority returns to the RS.
- Economic development: a concept for privatisation within the District has been put in place and privatisation will commence soon. There is also increasing interest in investments by foreign investors.
- Judicial system: Preparations for establishing a modern judicial system are in the final stage and it will be fully functioning within the next few months.
- Budget: A transparent budget is in the final stage of the parliamentary procedure and shows that the District has a potential for becoming financially self-sustainable.
- Education: The introduction of a space-sharing concept for the District High Schools, in last September, initially faced the fierce resistance by many Serb parents, supported by Serb political parties and associations. I endorse the Supervisor's determination to proceed towards significant integration in education to come into effect with the beginning of the next school year.

The inter-entities coordination meetings that I mentioned in my last report have been interrupted over the forming of new Governments in the entities but will resume soon. The new Prime Minister of the RS has expressed his determination to co-operate in the interest of the District.

6. BiH in the European integration processes

16. Limited progress was made during the reporting period by the authorities in Bosnia and Herzegovina to fulfil the conditions for Council of Europe membership. A similar degree of progress was made to meet the EU Road Map conditions, which would allow the EC to undertake a Feasibility Study towards a Stabilisation and Association Agreement between BiH and the EU. Highlights during the reporting period included the dismantling of the payment bureaux, slightly improved figures on the implementation of the property laws and the establishment of the BiH Institute for Standards, Meteorology and Intellectual Property. My decision on 30 November 2000 to establish the latter institution was taken due to unacceptable delays on the part of the competent institutions.

17. The slow pace of election implementation has limited further progress. While much remains to be done by the newly elected authorities if BiH is to accede to the Council of Europe and begin its EC Feasibility Study, I believe the year ahead will bear witness to a decisive breakthrough in BiH's efforts to integrate into European structures and institutions.

II ECONOMY

1.- General Overview of the BiH Economy

18. Despite the adverse effects of a severe drought on agricultural production, real GDP growth is estimated to be 10% in 2000. There was an improvement in the merchandise trade balance and the current account of the balance of payments, however the negative current account to GDP ratio remains very high at 20% of GDP. Exports are estimated to have grown by 13 % during the year, while imports declined by 7%. The growth in foreign reserves, which now stand at about 2.25 months of equivalent imports, moderated during 2000, reflecting the more uniform acceptance of the Convertible Mark (KM) throughout BiH and the ending of the portfolio adjustments that took place in 1999. Despite the effects of the drought on food prices, inflation at the end of year was quite low (about 3.5% in the Federation) and was declining in the RS (about 10%).

19. Overall, the economy in BiH remains fragile, with the main difficulties during 2000 being increased external debt service requirements and their impacts on the budgets of the Entities. Wage increases in the RS, the depreciation of the KM against the US\$, and higher spending on refugees and displaced persons, all placed pressures on the Entity budgets. This required a re-balancing exercise in mid-year, resulting in a fiscal deficit before transfers of 3.8% of GDP in the RS and 2.8% of GDP in the Federation.

20. Economic and social conditions remain precarious for much of the population. Unemployment is extremely high (40-50%) and many of those most capable of contributing to the future development of the economy continue to leave, especially the youngest and brightest, which exacerbates the problems of an aging population.

2.- Economic reform.

21. The IC program of economic reforms is now focusing on improving tax collection, restructuring the tax system, financial reform, building the social safety net, improving the business environment, promoting foreign investment, accelerating privatization, developing the agricultural sector and restructuring and eventual privatization of public utilities (including transport, telecommunications, and energy).

A. Labour Reform

22. As part of a package aimed at bringing BiH labor legislation in line with European market economies, I imposed the Federation Law on Job Placement and Social Security of the Unemployed on 20 December 2000. It will put the Federation Employment Bureau on a proper legal footing and do away with the inefficiency and non-transparency in the unemployment benefit system under the former Socialist Republic of BiH.

B.- Pension Reform

23. On 12 November 2000, due to the precarious position of the pension system in BiH and the accumulation of arrears in the Federation -Sarajevo based- pension fund and in the one of the RS, I imposed amendments to the Law on Pension and Disability Insurance in both Entities. Tying current pension payments to available resources was one of the prerequisites to achieve regular pension payments; avoiding the accumulation of further arrears; and protecting the elderly by guaranteeing a minimum pension. Moreover the approval of this legislative package ensured the release of much needed credits of relevant International Financial Institutions including a 24 million USD World Bank structural adjustment credit. In the Federation, it was also necessary to impose the Law on Organisation of the Pension and Disability Fund which provides for the merger of the Sarajevo and Mostar Pension Funds, an outstanding example of parallel institutions. An ad hoc working group on pensions, established by the Federation PM, is now actively working to finalize legislative, organizational, and financial measures to smooth the implementation of the relevant Laws.

C.- BiH Standardization and Accreditation

24. On 12 November 2000 I issued six Decisions on the establishment of a four-pillar system of accreditation, standardisation, metrology, and certification/testing for BiH industrial products. This system is a pre-condition for the normal functioning of industry and trade, and especially for the export of BiH products. Although the European Union liberalised imports from BiH, FYR of Macedonia, Albania and Croatia, exporters in these countries must still pass the conformity assessment procedure to prove their products comply with existing EU product legislation and standards.

D.- Foreign Trade

25. The most significant development in BiH's efforts to develop its foreign trade sector has been the signing of a Free Trade Agreement with Croatia, its dominant trading partner. BiH products imported into Croatia will be immediately exempt from duties, while duties on Croatian imports into BiH will be reduced by 30 percent in 2001 and be gradually eliminated by 2004. In addition to this, the CoM approved the BiH negotiating position for its membership application to the World Trade Organisation.

26. To further facilitate trade between BiH and the EU, I imposed Amendments to the BiH Law on Customs Policy in order to update customs regulations consistent with current EU customs policies and procedures. These amendments were also designed to enable refugees to return to BiH without having to pay customs duties on their personal belongings, supporting returns to BiH. In addition, the amendments closed a series of duty free shops at border crossing points to crack down on smuggling and improve the collection of revenues.

E.- Financial Reform

27. The Peace Implementation Council (PIC) called for the elimination of the payment bureaux at its Madrid meeting in December 1998 and repeated this when it met in Brussels in May 2000. The payment bureaux made financial transactions in BiH cumbersome and operated in a non-transparent manner, deterring potential investors. Their abolishment was also one of the requirements of the "EU Road Map", and one of the measures BiH had to take to qualify for membership in the Council of Europe. As part of this dismantling process, I introduced legislation, which was outstanding, for a smooth transition to the establishment of an operational financial system. Negotiations are ongoing concerning the tenders and sale of a number of banks and bank assets in both the RS and the Federation.

F. Privatization of Enterprises

28. In both Entities, the enterprise privatisation process has gathered momentum after a long period of uncertainty and delay. Small-scale privatisation has progressed with approximately 200 companies sold through auctions, tenders or direct sales in the Federation and approximately 80 companies sold through auctions and direct sales in the RS. In the large-scale enterprises, the pace of privatisation has definitely been slower and only 12 companies have been partly privatised in the RS and 70 in the Federation to date.

G. Public Utilities Re-structuring

29. While the main function of the Commission on Public Corporations (CPC) is to implement Dayton Annex IX (i.e. help re-unite the country's utilities and infrastructure), it has increasingly become obvious that creating joint utility corporations can also serve as a tool in sector reform. BRIC, the new Joint Road Infrastructure Public Corporation, will not only set and enforce common road standards but also implement demand-driven network development, focusing on corridor roads. A recent review of the railway sector in BiH showed that, even five years after the war, railways have not been able to recover their market share or improve their financial performance, mainly due to key network deficiencies, a matter the Joint Railway Public Corporation will address.

30. A new Telecommunications Policy for BiH that promulgates privatisation and staged liberalisation was approved by the CoM on 9 November 2000. However, due to procedural disputes and an inability at the State-level to resolve the issues, official publication was repeatedly delayed. I, therefore, decided to pass a decision to publish the Telecommunications Policy in the Official Gazette on 14 February 2001. In the energy sector, Entity governments have approved a new policy calling for the creation of a separate joint power grid Transmission Corporation. Submission of new, market-oriented Electricity Laws to parliaments is a key condition for the \$230 million World Bank (IDA) Power III Loan Project which will also launch the energy sector reform.

III ANTI-CORRUPTION AND TRANSPARENCY ISSUES

31. My Office has redoubled its efforts to investigate and bring to the light the corrupt practices and structures at State and Entity levels. Such a focus is intended to support the economic reform and the strengthening of the institutions, as well as improve democratic governance and rule of law. Additionally, such efforts will also improve the ability of BiH to grow closer to the rest of Europe.

32. The level of systemic corruption remains high and an obstruction to peace implementation and reform. Several large cases have illustrated this, including cases in the banking and demining sectors. As such I was forced on 11 October 2000 to remove the three demining commissioners from their posts due to conflict of interest.

33. My Office continues to advise and assist the judiciary and investigative bodies in these key prosecutions. Since November 2000 my Office started drafting criminal procedure code legislation which is envisioned to address the shortcomings in the present laws as well as develop one for the new State Court. This process should also assist in the harmonization of criminal law between the entities. In order to assist the judiciary, a capable investigative body must be available. For this purpose my Office began work in January 2001 on a financial police reform project which foresees adapting the existing financial police into combating corruption and fraud. Already the financial police have started such work with positive results. Attempts by the local ruling parties to inappropriately replace their directors forced me to intervene and ensure the agency's constructive performance.

34. Transparency over public accounts and revenues remains a crucial matter. The appointment and confirmation of the Auditors General of both entities is a step in the right direction. In order to compensate for limitations in the present legislation, I established in February 2001 a Special Auditor for purposes of auditing the Federation Cantonal budgets.

IV RETURN

35. Roughly 67,000 "minority" returns have been registered in 2000 compared with the 41,000 registered returns in 1999. In reality the number of returns is even greater than the registered figures show, as individuals of all ethnic groups are spontaneously exercising their choice to return; even before they can reclaim their property or reconstruction assistance can be identified. Further, the returns in 2000 were no longer limited to a few areas and returns took place in all across BiH, including Bosansko Grahovo (Serbs), Bijeljina, Prijedor and Srebrenica (to these three places, it consisted mainly of Bosniac returns).

36. However, the progress on returns during 2000 highlights the need for targeted programs to ensure that past and future returns are sustainable. Access to personal documents, employment, quality education, pensions and utilities, remain a problem in many areas, and my office is working closely on the equality of citizens' rights in these areas. The RRTF and the Economic Task Force are also working with donors and community leaders to develop economic opportunities to maintain the momentum on returns.

37. Refugee return in BiH remains affected by return movements in Croatia and the Federal Republic of Yugoslavia (FRY). There has been little recent progress in return to Croatia, due to the lack of a clear and transparent legal framework for the repossession of property. Therefore some 35,000 Croatian Serbs in the western RS remain in limbo, creating a serious obstacle to minority return to that entity. My office is also working on improving the return situation from FRY to BiH.

V PROPERTY

38. The IC's effort to implement the property laws I had imposed in October 1999 continues and some progress is being made. The rate of implementation of applications

for repossession of property has increased in the Federation to 29 percent of claims, and to 13 percent of claims in the RS. BiH-wide the implementation of applications for repossession of property has increased from 18 percent (43500 repossessions) to 21 percent (51709 repossessions) since my last report (submitted to you on 17 October 2000). However, the overall rate of implementation remains unacceptably low as local officials fail to take ownership of the repossession process. Progress in the Eastern RS and Croat-majority municipalities of Herzegovina remains poor. At the other side of the spectrum, Cantons Una-Sana (capital, Bihac) and Central Bosnia (capital, Travnik) have the highest rates of implementation.

39. The primary impediment to increased implementation of property legislation remains political obstruction in the forms of active obstruction (cancellation of evictions, failure to follow administrative procedures, failure to solve double occupancy cases, harassment of claimants, instigation of violent incidents) and passive obstruction (failure to provide adequate staffing/funding resources to housing offices, failure to secure alternative accommodation).

VI EDUCATION

40. Education as an issue was almost completely overlooked by the local authorities during the autumn of 2000, due to the electoral campaign. In addition, until now no government has been established in the Federation, which has virtually paralyzed the policy discussion process that had seen the Entity Ministers of Education meet practically on a monthly basis prior to the elections. The main topic of these regular policy meetings was the implementation of the reforms called for by the 10 May 2000 Education Agreement, which is a blueprint for the gradual reform and modernization of the education scene in BiH.

41. A regional "education task force" is also being discussed with Croatia and the FRY in order to accelerate the adoption of European standards and devise a common approach to education geared towards reconciliation and peace building at school in the three countries involved in the 1992 - 95 conflict.

42. The reform of higher education is now being addressed through the work of the Higher Education Coordination Board. The number of universities in BiH must be harmonized with population levels and actual needs, and resources and regional opportunities offered under the Stability Pact must be pursued.

VII MEDIA

43. In order to implement the reform of the public broadcasting sector, on 23 October 2000 I issued my Second Decision on Restructuring the Public Broadcasting System (PBS) in BiH. Emphasis is placed on ensuring that the three principle public broadcasters, PBS, Federation RTV and RT RS, are economically viable, transparently financed, and professionally run. The new system takes into account the mutual interests of these broadcasting companies, which will remain independent, but will work together to improve the public service in both Entities and across the whole of BiH. In January 2001, the PBS Founding Board successfully completed the registration so the PBS becomes officially a legal entity.

44. Following the decision by my predecessor in July 1999, a draft law to decriminalize defamation at Entity level has now been prepared by an expert group in co-ordination with the OSCE and OHR. The draft was released to the public in on 14 February 2001

and will be followed by a series of consultative meetings in the following weeks. Entity governments are required to start the process of implementing this law at the earliest opportunity.

45. The Independent Media Commission (IMC) has issued on 6 February 2001 the first results from their competitive, merit based long-term licence process. Twelve further regions are being processed in sequence. The end result will be a viable commercial market for both programme makers and broadcasters. Additionally the broadcasting spectrum, long since disorganised and used without reference to internationally agreed co-ordination norms, will have been re-allocated to ensure effective use by the viewing and listening public with minimum interference. I am happy to report that the system has been created, and is being implemented by a Commission, which is almost wholly comprised of professionals from BiH. Taking into account trends in the media and telecommunications field, IMC are continuing to work with my experts towards the creation of a single regulator for both competencies. I aim to create this joint regulator very soon.

VIII JUDICIAL REFORM AND HUMAN RIGHTS

1.- Judicial Reform

46. On 1 December 2000, I established the Independent Judicial Commission (IJC) to provide a consolidated, comprehensive and assertive approach to the identification and implementation of reforms to the justice sector. This was essential in the wake of the end of the UNMiBH/JSAP mandate. IJC is independent of OHR but the Director reports directly to me. My Office is providing IJC with the logistical assistance necessary for it to effectively execute its authorities and responsibilities. While the IJC in combination with the OHR judicial reform staff is functional, full deployment including all field offices is expected for early April.

47. The 18 month-long period of "extraordinary review" for all sitting judges and prosecutors has commenced and substantial numbers of public complaints have been received by the domestic bodies indicating clear public acceptance of this process. International monitoring of this process rests now fully with IJC.

48. The Joint Coordinating Board for education of judges and prosecutors has continued its efforts to train the judges and the prosecutors. This included a Council of Europe program to familiarize judges in both entities with legal issues relating to the European Convention on Human Rights. Meanwhile, drafts of the legislation to create Judicial Training Institutes have been submitted to respective entity governments.

49. My office has continued to monitor the so-called "Rules of the Road Agreement of February 1996" and war crime cases pending before the domestic courts. The majority of the cases at stake relate to crimes committed in Central Bosnia (mainly Croat forces against Bosniac civilians). All of the above-mentioned cases have been reviewed by the ICTY Office of the Prosecutor, as required under the "Rules of the Road", and are currently at the investigation phase. In addition, in the reporting period, the BiH Federation Supreme Court upheld the acquittal of Mr. Djedovic, a former member of the self-styled "Autonomous Province of Western Bosnia" leadership and current member of the State Parliament, who was previously acquitted by the Cantonal Court in November 2000.

2. - Human Rights Institutions

A. Ombudsman

50. On 10 November 2000, BiH, the Federation and RS signed agreements providing for the continued operation of the BiH Ombudsman, the Human Rights Chamber and the Commission for Real Property Claims of Displaced Persons (CPRC), until at least 31 December 2003. In mid-November 2000, the RS Ombudsmen began operation in Banja Luka and in four field offices (Prijedor, Dobo, Foca and Bijelina).

51. The Mostar "Liska Street" incident of February 1997, denounced by the Security Council, in which 20 Bosniacs were injured and one killed during a visit to a cemetery for Bajram, is now under criminal investigation by Mostar judicial authorities, pursuant to recommendations contained in a Special Report of the Ombudsman of BiH.

B. Human Rights Chamber

52. The implementation rate for the decisions of the Human Rights Chamber has increased and now stands at 70%, up from 33% at the end of 1999. Similar increases have also been seen with reports of the BiH Human Rights Ombudsman.

53. Following my repeated interventions, including a direct instruction to the RS Prime Minister, Banja Luka authorities gave an "urban permit", initial to reconstruct the former Ferhadija mosque (blown up in 1993, in the absence of wartime activity) on November 22 2000. This authorization was required by a Decision of the Human Rights Chamber. A building permit is expected to follow submission of building plans.

3.- Social, economic and gender rights

54. The RS Labor Law entered into force on November 16, 2000. The law is in accordance with human rights standards and the rights it offers are harmonized with those offered by the law in the Federation. Regarding possible re-employment or compensation for those who were dismissed during the war, the Federation Labor Law's article 143 was problematic, due to the complicated implementation procedure. However, it was necessary to include a similar article (152) in the other entity to balance individual rights.

55. On the initiative of OHCHR and with full support from my Office, on 2 December 2000, the CoM issued a decision to establish a Working Group to Combat Trafficking in Human Beings. Its primary aim is to draft BiH's Plan of Action to Combat Trafficking in Human Beings and thereafter to assist in its implementation. The final draft should be completed shortly and then presented to the CoM for adoption.

4.- Srebrenica

56. On 25 October 2000, I issued a decision on the location of a cemetery and memorial site for the victims of the Srebrenica massacre in order to facilitate BiH to come to terms with its past. I gave foremost consideration to the wishes of the vast majority of the families of the victims. The decision allocates a plot of land in Potocari near Srebrenica for use as a cemetery and memorial. An implementation plan of this decision, as well as an inter-agency plan to create conditions for sustainable return are being developed.

IX LEGAL ISSUES

1. State institutions: State Court and Civil Service

57. On 12 November 2000 I imposed the Law on the Court of BiH. The Court will guarantee that the rule of law prevails on the level of the State of BiH. Its jurisdiction will not only provide for a judicial remedy for the citizens of BiH in fields like passports, ID cards or citizenship rights but will also create legal certainty for foreign trade or investment.

58. A draft Law on the Civil Service was developed by an "ad hoc" Working Group and is now before the CoM for consideration.

2. Issues related to the BiH Constitutional Court's Decisions

59. On 3 November 2000 the BiH Constitutional Court ruled that the Law on State Border Service I imposed on 13 January 2000 is consistent with the BiH Constitution. Although the Court has judged itself competent to review the constitutionality of imposed legislation, it has ruled that my powers and the exercise of these powers are not subject to review by the Court.

60. On 11 January 2001, I issued a Decision restructuring the Constitutional Commissions in the Federation and the RS. These Commissions are tasked with preparing proposals for the amendment of the Entities' Constitutions, in order to ensure the implementation of the BiH Constitutional Court's Decision in the Constituent Peoples Case, in which the Court ruled that no ethnic group constituent on the territory of BiH shall be excluded from exercising its rights in the Entities. The Commissions, which are each composed of 16 delegates, also provide protection for the vital interests of Constituent Peoples and Others, citizens' rights not to be discriminated against and their rights under the European Convention on Human Rights, during the interim period until the Entity Constitutions are amended. The Commissions fully respect the principle of parity, with four members from each Constituent People and Others. The Commissions are able to convene meetings if three members of the Commission fear that a law, decision or government regulation -copies of which must be given to the Commissions at least 10 days before debate in the respective Entity Parliaments- would violate one of the aforementioned rights. If after three days the Commission fails to reach agreement on the issue, I would be responsible for making a final decision.

X MILITARY ISSUES

1. Defence and Military Reform; development of a State-level Defence Institution

61. The Defence Policy Document for BiH was forwarded, with a few unresolved issues, to the Standing Committee on Military Matters (SCMM) on 31 January 2001 for approval by the Presidency. There remain only three issues still requiring final agreement: the role of the Presidency in civilian command of the armed forces; the role of the armed forces in defence of the State as well as the Entities; and the precise description to be applied to the two parts of the Federation Army. When completed, and after endorsement by the BiH Parliament, the document will provide a sound basis for further work.

62. On 7 December 2000 the Presidency mandated the expansion of the SCMM Secretariat from six permanent members to twelve.

3. Re-structuring of Entity Armed Forces

63. The deadline for the 15% reduction in personnel was extended to the end of January 2001, to reduce the social impact of the initiative during the winter holiday period. SFOR is monitoring the process, and early results suggest that the Armed Forces have made the required reductions.

4. De-mining

64. The new Demining Commission is part of the Ministry of Civil Affairs and Communication and the three new commissioners are civil servants from the Ministry. All commissioners and Mine Action Centre workers have been required to sign a declaration that they or their relatives are not involved with commercial demining operations. It is hoped that donor countries will regain confidence in the system and begin to provide funds; if this does not happen, demining operations could cease in spring 2001. Personnel in the Mine Action Centres have been reduced, providing a 30% reduction in the operating costs of the structure. The financial police have charged two members of the previous Demining Commission with several offences; the matter is now in the hands of the BiH legal system.

5. Civil Aviation

65. The International Civil Aviation Organisation (ICAO) offered to establish an Operational Assistance Type Project (OPAS) for BiH, which was accepted by a CoM's decision on 22 November 2000. In February 2001, ICAO in response to a request from BiH, developed procedures for standardising the licensing of Air Traffic Controllers after an SFOR decision to hand-over the responsibility for provision of Air Traffic Services at Sarajevo International Airport to civilian authorities.

66. The first International Standing Committee Meeting for BiH (ISCBH/1) was held in Paris on 29 November 2000, to monitor the implementation of measures required to achieve full normalisation of the aeronautical situation in BiH.